

## Message Text

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C O N F I D E N T I A L STATE 194952

EXDIS - TODEP 62

FOL RPT TEHRAN 7928 ACTION LONDON INFO SECSTATE 04 AUG QUOTE

C O N F I D E N T I A L TEHRAN 7928

EXDIS

FOR THE SECRETARY'S PARTY

FOR ATHERTON FROM KRATZER

E.O. 11652: XGDS-1  
TAGS: TECH, IR, USIRJC

SUBJECT: NUCLEAR ENERGY DISCUSSIONS

REFS: A) TEHRAN 7886, B) TEHRAN 7926, C) SECTO 20004

1. UNDERLYING ISSUE IS THAT IRAN FEELS THAT, AS NPT PARTY,  
IT IS ENTITLED TO RECEIVE US ASSISTANCE IN ALL PHASES OF  
NUCLEAR FUEL CYCLE, INCLUDING REPROCESSING AND ENRICHMENT,  
AND TO UNDERTAKE ALL SUCH OPERATIONS IN IRAN WHEN CONVENIENT  
TO DO SO, SUBJECT ONLY TO NPT REQUIREMENT THAT IAEA SAFEGUARDS  
BE APPLIED TO ALL PEACEFUL NUCLEAR ACTIVITIES. IRAN ALSO  
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TAKES STRONG EXCEPTION TO FACT THAT US POLICY DISCRIMINATES  
AGAINST IRAN, NOT ONLY IN FIELD OF NUCLEAR WEAPONS,  
AS NPT INTENDED, BUT IN PEACEFUL USES AS WELL, WHICH THEY FEEL  
NPT WAS DESIGNED TO AVOID, AND THEY STRONGLY RESENT ACTION

OF NUCLEAR SUPPLIER NATIONS, WHICH THEY REGARD AS A SORT OF NUCLEAR OPEC. US POSITION IS THAT WHILE IRAN'S NPT ADHERENCE IS IMPORTANT POSITIVE FACTOR, CERTAIN FUEL CYCLE ACTIVITIES, I.E., ENRICHMENT, REPROCESSING, AND STORAGE OR FABRICATION OF PLUTONIUM ARE INHERENTLY SO SENSITIVE THAT THEY SHOULD BE AVOIDED OR DEFERRED AS LONG AS POSSIBLE, ESPECIALLY IN "SENSITIVE" REGIONS. WE ALSO ARE CONCERNED BY FACT THAT NPT ALLOWS WITHDRAWAL, THAT IAEA SAFEGUARDS ARE NOT FOOLPROOF, AND THAT SENSITIVE FACILITIES AND MATERIALS, ONCE AVAILABLE IN A COUNTRY, REMAIN AFTER CONTROLS MAY BE LOST THROUGH ABROGATION OR OTHER REASONS. WE STRESS THAT WE ACCEPT IRAN'S DEPENDABILITY, BUT HAVE APPEALED TO IT TO JOIN US IN SPECIAL RESTRAINTS THAT GO BEYOND NPT AS ACT OF LEADERSHIP IN HELPING ESTABLISH MORE SECURE GLOBAL NON-PROLIFERATION REGIME THAT THAT AFFORDED BY NPT ALONE. DESPITE IRANIAN POSITION OUTLINED ABOVE, WHICH UNDERLIES ALL THEIR MORE DETAILED COMPLAINTS, IRAN HAS, IN DEFERENCE TO STRONG US CONCERNS, INDICATED RELUCTANT WILLINGNESS TO ACCEPT SOME RESTRAINTS BEYOND NPT SAFEGUARDS, AND THEY HAVE ALREADY DONE SO IN FRG AGREEMENT. THUS, WHILE THEY FREQUENTLY REVERT TO NPT COMPLAINT, PRACTICAL NEGOTIATING ISSUES NOW INVOLVE MORE DETAILED ITEMS. PRINCIPAL SUCH ITEMS, WITH RESUME OF IRANIAN AND US POSITIONS ARE AS FOLLOWS:

2. PRINCIPAL NEGOTIATING ISSUE INVOLVES REPROCESSING AND RELATED FUEL CYCLE STEPS WHERE PLUTONIUM IS HANDLED OR STORED. REPROCESSING ISSUE HAS SEVERAL FACETS:

(A) PROVISION OF TECHNOLOGY -

IRANIAN POSITION: CONSISTENT WITH ITS VIEW OF NPT, IRAN TAKES POSITION WE ARE OBLIGATED TO PROVIDE REPROCESSING TECHNOLOGY WHEN IRAN NEEDS AND REQUESTS IT. HOWEVER, ETEMAD HAS STATED HE RECOGNIZES US COMMITMENT TO THIS EFFECT IS IMPOSSIBLE UNDER CURRENT CONDITIONS, AND HAS NOT PRESSED POINT.

US POSITION: US BELIEVES NPT CREATES NO OBLIGATION TO TRANSFER SENSITIVE TECHNOLOGIES, AND THAT MORE SECURE CONFIDENTIAL

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NON-PROLIFERATION REGIME WILL RESULT IF SPREAD OF REPROCESSING FACILITIES UNDER NATIONAL CONTROL IS PREVENTED OR STRICTLY RESTRAINED. WE ALSO STRESS THAT REPROCESSING IS NOT ECONOMICAL UNDER PRESENT CONDITIONS, ESPECIALLY IN COUNTRIES SUCH AS IRAN WITH ONLY A FEW REACTORS, AND REPROCESSING DECISIONS CAN THEN BE PUT OFF FOR A NUMBER OF YEARS WITHOUT ECONOMIC PENALTY. HOWEVER, WE HAVE INDICATED WILLINGNESS TO HELP SEEK APPROPRIATE SOLUTION TO REPROCESSING PROBLEM WHEN THIS BECOMES NECESSARY. SOLUTION, FOR EXAMPLE, COULD TAKE FORM OF REPROCESSING FACILITIES UNDER MULTINATIONAL OR BINATIONAL, RATHER THAN NATIONAL AUSPICES, OR REPLACEMENT OF IRRADIATED (PLUTONIUM BEARING) FUEL WITH FRESH ENRICHED URANIUM.

(B) CONDITIONS FOR REPROCESSING OF US MATERIAL: CONDITIONS UNDER WHICH WE WILL ALLOW REPROCESSING OF US MATERIAL HAS BEEN AND REMAINS PRINCIPAL NEGOTIATING ISSUE.

IRANIAN POSITION: IRANIAN POSITION IS THAT THERE SHOULD BE NO RESTRAINTS ON REPROCESSING AND RELATED FUEL CYCLE ACTIVITIES IN IRAN, EXCEPT NPT REQUIREMENT OF IAEA SAFEGUARDS WHICH THEY FULLY ACCEPT. HOWEVER, IN RECOGNITION OF US CONCERNS, ETEMAD HAS INDICATED WILLINGNESS TO ACCEPT SOME ADDITIVE RESTRAINTS, ALTHOUGH HIS POSITION ON WHAT IS AND IS NOT ACCEPTABLE TENDS TO VARY FROM ONE NEGOTIATION TO THE NEXT, AND EVEN FROM ONE DAY TO ANOTHER WITHIN A NEGOTIATION. AT PRESENT, THERE SEEMS TO BE GENERAL AGREEMENT ON AN APPROACH DEVELOPED DURING CURRENT NEGOTIATIONS, WITH CERTAIN EXCEPTIONS. IN GENERAL TERMS, APPROACH IS:

(1) IRAN WOULD HAVE OPTION TO CHOOSE AMONG REPROCESSING IN BINATIONAL PLANT (I.E., PLANT IN WHICH SUPPLIER IS INVOLVED IN MANAGEMENT AND OPERATION), REPROCESSING IN THIRD COUNTRY (FOR EXAMPLE, UK, FRANCE, OR GERMANY) WITH US APPROVAL, OR RETURN OF IRRADIATED FUEL TO US AND REPLACEMENT WITH FRESH FUEL (SUBJECT TO US STATUTORY AUTHORITY AND PHYSICAL CAPABILITY).

(2) IF OPTION SELECTED BY IRAN WERE NOT FEASIBLE, IRAN WOULD TRY ONE OF THE OTHER OPTIONS; IF THIS WERE NOT FEASIBLE, THE THIRD OPTION WOULD BE TRIED.

(3) AS BOTTOM LINE IF NONE OF ABOVE OPTIONS WERE FEASIBLE, CONFIDENTIAL

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US WOULD CONSENT TO REPROCESSING IN A NATIONAL FACILITY IN IRAN, SUBJECT TO MUTUAL AGREEMENT AS TO ADEQUACY OF IAEA SAFEGUARDS WHICH WE COULD SUPPLEMENT IF NECESSARY WITH OUR OWN PERSONNEL.

3. CURRENT MAIN POINTS OF DISAGREEMENT WITH RESPECT TO ABOVE PLAN ARE:

(A) ETEMAD CONTENTS US SHOULD BEAR COST IF US DENIAL OF ANY PARTICULAR OPTION REQUIRES IRAN TO EMPLOY MORE COSTLY APPROACH.

(B) WHILE NOT ABANDONING HIS EARLIER AGREEMENT TO MAKING GOOD FAITH EFFORT TO ESTABLISH BINATIONAL REPROCESSING ETEMAD IS NOW VACILLATING AND AGREED LANGUAGE HAS NOT BEEN DEVELOPED.

(C) IAEI STAFF IS TAKING STRONG EXCEPTION TO REQUIREMENT OF US APPROVAL OF TRANSFERS TO THIRD COUNTRY FOR REPROCESSING.

(D) ETEMAD AND STAFF HAVE OBJECTED TO REQUIREMENT FOR JOINT AGREEMENT ON ADEQUACY OF SAFEGUARDS, CONTENDING OTHER LANGUAGE IN AGREEMENT ALREADY ACCOMPLISHES THIS PURPOSE. WE HAVE BEEN UNABLE SO FAR TO GAUGE STRENGTH OF THEIR OBJECTION.

4. US POSITION:

US POSITION IS THAT US INVOLVEMENT IN DECISIONS ON REPROCESSING OF US MATERIAL BY IRAN ARE ABSOLUTELY ESSENTIAL AND THAT WE COULD APPROVE REPROCESSING OF US MATERIAL IN NATIONAL FACILITIES IN IRAN ONLY AS LAST RESORT, IF ALL OTHER OPTIONS PROVED INFEASIBLE. APPROACH DESCRIBED ABOVE, IN WHICH IRAN HAS FIRST OPTION TO SELECT REPROCESSING APPROACH, WAS DEVELOPED DURING CURRENT NEGOTIATIONS AND IS REGARDED BY IRANIANS AS AN IMPORTANT FORWARD STEP. WITH RESPECT TO ABOVE FOUR POINTS OF DISAGREEMENT:

(A) WE ARE WILLING TO TAKE ECONOMIC FACTORS INTO ACCOUNT IN DECIDING WHETHER TO GIVE OR WITHHOLD OUR REPROCESSING APPROVALS, BUT WE ARE UNWILLING TO BEAR IRAN'S EXCESS COSTS, IF ANY. THESE REPRESENT COSTS OF: NON-PROLIFERATION IN WHICH WE HAVE COMMON INTEREST.

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(B) WE HAVE ALREADY DEPARTED, IN LIGHT OF IRANIAN OBJECTIONS, FROM OUR EARLIER APPROACH OF MULTINATIONAL FACILITY TO BINATIONAL FORMULA, AND WE ARE NOT PREPARED TO RETREAT STILL FURTHER TO REPROCESSING IN PURELY NATIONAL FACILITIES, WITHOUT REQUIRING IRAN TO MAKE GOOD FAITH EFFORT TO ESTABLISH BINATIONAL FACILITY.

(C) US APPROVAL OF TRANSFER OF US SUPPLIED MATERIAL TO THIRD COUNTRIES IS NOT ONLY AN IMPORTANT POINT OF POLICY, BUT IS A LEGAL REQUIREMENT OF ATOMIC ENERGY ACT. WE HAVE NO FLEXIBILITY ON THIS.

(D) REQUIREMENT FOR US APPROVAL OF ADEQUACY OF SAFEGUARDS AS CONDITION OF REPROCESSING IN NATIONAL PLANT IS CONSISTENT WITH US POSITION, OF MANY YEARS STANDING, AND RETREAT FROM THIS, IN PRESENT DOMESTIC CLIMATE ON NON-PROLIFERATION, IS, WE BELIEVE, COMPLETELY INFEASIBLE.

5. OTHER ISSUES: IN ITS COMMENTARY OF JULY 21, IRAN IDENTIFIED A NUMBER OF OTHER ISSUES, WHICH ETEMAD REGARDS AS CLEARLY OF LESS IMPORTANCE THAN REPROCESSING ISSUE COVERED ABOVE. THESE WILL BE DISCUSSED TOMORROW. SOME OF THEM MAY TURN OUT TO BE SERIOUS STICKING POINTS, INCLUDING:

(A) ACCESS TO IAEA SAFEGUARDS INFORMATION: IRANIAN POSITION: IRAN IS OPPOSED TO GRANTING US ACCESS TO RESULTS OF IAEA INSPECTIONS IN IRAN, ON GROUND THIS CONTRARY TO SPIRIT OF ASSIGNING THIS RESPONSIBILITY TO IAEA.

US POSITION: LACK OF INFORMATION ON IAEA INSPECTIONS HAS CONTRIBUTED TO SERIOUS DECLINE OF CONFIDENCE IN US IN IAEA

SAFEGUARDS. WE BELIVE IAEA IS OVER-PROTECTING THIS INFORMATION AND THAT IT IS IN INTERESTS OF BOTH SUPPLIER AND RECIPIENT, I.E., IN THIS CASE IRAN, THAT ADEQUACY OF SAFEGUARDS IS READILY APPARENT TO WORLD COMMUNITY.

(B) ISSUANCE OF EXPORT LICENSES.

IRANIAN POSITION: IRAN IS REQUESTING ASSURANCE THAT FUTURE EXPORT LICENSES WILL BE ISSUED AS REQUIRED, A CONCESSION IT OBTAINED IN FRG AGREEMENT.  
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US POSITION: WE ARE LEGALLY UNABLE TO GIVE SUCH ASSURANCE IN VIEW OF STATUTORY RESPONSIBILITY OF NRC, AN INDEPENDENT REGULATORY AGENCY, BUT WE MAY BE ABLE TO BRIDGE GAP WITH EXPRESSION OF "BEST EFFORTS."

(C) THIRD COUNTRY TRANSFERS.

IRANIAN POSITION: IRANIAN POSITION IS THAT NO US APPROVAL SHOULD BE REQUIRED FOR TRANSFERS OF SAFEGUARDED MATERIAL TO THIRD COUNTRIES WHICH ACCEPT SOME SAFEGUARDS. THIS COMES UP BOTH IN REPROCESSING CONTEXT AND ELSEWHERE.

US POSITION: WE ARE LEGALLY REQUIRED TO APPROVE TRANSFERS OF US SUPPLIED MATERIAL, AND AS LOGICAL COROLLARY, WE HAVE ALWAYS REQUIRED US APPROVAL FOR TRANSFER OF MATERIAL DERIVED FROM US SUPPLIED MATERIALS OR EQUIPMENT.

#### 6. ANALYSIS AND PROGNOSIS:

THIS NEGOTIATION HAS ALWAYS BEEN CHARACTERIZED BY UPS AND DOWNS IN WHICH ETEMAD FIRST APPEARS TO ACCEPT, THEN LATER REJECT, US COMPROMISE PROPOSALS DESIGNED TO BRIDGE FORMIDABLE GAP BETWEEN FUNDAMENTAL DIFFERENCES DESCRIBED IN PARAS 1 AND 2. WE NOW BELIEVE MOST RECENT SET-BACK (AFTER RECEIVING SEVERAL OPTIMISTIC REPORTS ON IRANIAN ATTITUDE TOWARD APRIL NEGOTIATIONS IN WASHINGTON) WAS PROBABLY IN LARGE PART DUE TO ROLE OF NEW LEGAL CONSULTANT TO ETEMAD, COUPLED WITH CONCLUSION OF FRT-IRAN AGREEMENT ON TERMS FAVORABLE TO IRAN. AS REPORTED REF B, WE BELIEVE ETEMAD, WHO TOOK INITIATIVE IN PROPOSING FAVORABLE COMMITTEE REPORT TO JOINT COMMISSION, CLEARLY WANTS TO AVOID SERIOUS CONFRONTATION ON NUCLEAR ISSUE. AT SAME TIME, WE BELIEVE HE IS IN NO HURRY TO REACH AGREEMENT, SINCE IRAN PROBABLY WOULD FACE BOTH FINANCIAL AND MANAGERIAL DIFFICULTIES IN TAKING ON ADDITIONAL, I.E., US, REACTOR PROJECTS AT PRESENT, AND SINCE ETEMAD APPARENTLY FEELS THAT TIME IS "ON HIS SIDE", AND THAT US WILL EVENTUALLY REALIZE ITS PRESENT RESTRICTIVE POLICIES ARE NOT VIABLE. IN CONTRAST TO SOME EARLIER OCCASIONS, ETEMAD HAS NOT INVOKED NAME OF SHAH DURING PRESENT DISCUSSIONS, A FURTHER INDICATION HE IS NOT SEEKING CONFRONTATION. ON

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OTHER HAD, SHAH MAY WELL HAVE HIS OWN VIEWS AS TO EXTENDED  
LENGTH OF TIME THESE NEGOTIATIONS HAVE BEEN IN PROGRESS.  
WE WILL SEEK SOME INSIGHT AT TOMORROW'S SESSION INTO POSSI-  
BILITY THAT NUCLEAR ISSUE WILL BE RAISED BY SHAH, WITHOUT,  
OF COURSE, SEEMING TO SUGGEST THIS COURSE TO ETEMAD.  
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## Message Attributes

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